

Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-11 EUR-25 ADP-00 EB-11 COME-00 FRB-02 L-03

FSE-00 PRS-01 SSO-00 SS-15 NSC-10 NSCE-00 USIE-00

CIAE-00 INR-10 NSAE-00 RSC-01 INRE-00 RSR-01 /091 W

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O R 151630 Z MAY 73

FM AMCONSUL PARAMARIBO

TO SECSTATE WASHDC IMMEDIATE 1337

INFO AMEMBASSY THE HAGUE

UNCLAS PARAMARIBO 212

FOR COMMERCE AND TREASURY

E. O. 11652: N/ A

TAGS: EFIN, AFIN, NS

SUBJECT: VERVUURTS BANK SITUATION

REF: PARAMARIBO 200

1. SUMMARY. VERVUURTS BANK STOCKHOLDERS REJECT GOS PLAN TO REORGANIZE. BANK CLOSED SATURDAY MAY 12 ON GOS ORDERS. SECOND STOCKHOLDERS MEETING ON SUNDAY ACCEPTED REVISED GOS OFFER AND BANK OPENED MONDAY.

2. DETAILS. STOCKHOLDERS OF VERVUURTS BANK REJECTED POINT 2, ON FRIDAY, MAY 11, OF FOLLOWING GOS PROPOSAL:

A. ALL ASSETS OF BANK TO BE TRANSFERRED TO GOS.

B. PAR VALUE OF SHARES TO BE REDUCED TO SF 15 FROM FORMER PAR VALUE OF SF 100.

C. REORGANIZATION OF BANK AND ACCEPTANCE OF GOS GUIDANCE IN MANAGEMENT OF BANK.

D. CAPITALIZATION OF BANK TO BE RAISED FROM SF 2 MILLION
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TO SF 5 MILLION.

E. GOS TO GET 51 PER CENT OF SHARES IN RETURN FOR GOS GUARANTEE FOR THE COVERAGE OF SF 30 MILLION IN SAVINGS AND CHECKING ACCOUNTS PAYABLE (ESTIMATES 18,000 SUCH ACCOUNTS).

3. BANK CLOSED TO PUBLIC SATURDAY ON ORDERS FROM GOS.

4. IN SECOND EMERGENCY MEETING HELD ON SUNDAY MAY 13, GOS REVISED ITS OFFERS TO FOLLOWING:

A. LOWER PAR VALUE OF STOCK TO SF 30 FROM SF 100 (PRESENT MARKET VALUE OF STOCK IN NEIGHBORHOOD OF SF 450).

B. CAPITALIZATION TO BE INCREASED FROM SF 2 MILLION TO SF 4.5 MILLION.

C. GOS TO PUT UP 2.2 MILLION IN CASH IN RETURN FOR 51 PER CENT OF NEW STOCK ISSUE.

D. OF REMAINING 49 PER CENT OF NEW STOCK 15 PER CENT WILL BE RESERVED FOR PARTICIPATION BY FOREIGN BANKS, 12 PER CENT WILL BE MADE AVAILABLE FOR FUTURE PURCHASE BY PRESENT SHAREHOLDERS, 12 PER CENT WILL BE AVAILABLE TO GENERAL PUBLIC, AND 10 PER CENT WILL REMAIN IN HANDS OF PRESENT SHAREHOLDERS.

E. GOS WILL GUARANTEE UP TO SF 30 MILLION TO PROTECT ACCOUNT HOLDERS.

THE ABOVE PLAN WAS REPORTEDLY ACCEPTED BY SHAREHOLDERS REPRESENTING 86 PER CENT OF STOCK (52,351 SHARES) WITH THE RESERVATION THAT IF THE BANK BECOMES FINANCIALLY STRONG AGAIN, THE GOS WILL SELL BACK TO THE SHAREHOLDERS THE 51 PER CENT D OF STOCK AT A PRICE TO BE AGREED UPON LATER.

5. COMMENT. GOS OFFER TO GUARANTEE SF 30 MILLION IN ACCOUNTS APPARENTLY HAS DAMPENED POTENTIAL RUN ON BANK. VERVUURTS OPENED MONDAY AND FACT THAT EXPECTED RUN ON BANK DID NOT MATERIALIZE INDICATES ACCEPTANCE BY DEPOSITORS OF GOS PLAN. JOHNSTON

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